



MANAGING VALUE CHAIN THROUGH MARKET SEGMENTATION AND CUSTOMER FOCUS STRATEGIES: A SYNERGISTIC PERSPECTIVE

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ABSTRACT

Modern business is all about winning the stiff battle of competition with variety of business weapons. Market segmentation and customer focus strategies are certainly two sharp weapons among those and can contribute profoundly for ensuring vast and fast growth. The qualitative research work has been done for achieving that goal. The findings suggests that market segmentation helps organizations to segment the whole market in an effective way and thus immensely assist in devouring diversified and customized product and services. On the other hand customer focus strategies also assist firm in great way to focus on specific customers and make an effective market and customer driven value chain.

KEYWORDS: Value chain, Market Segmentation, Customer focus strategies, Organisation.

INTRODUCTION:

Business conduction is more challenging than ever before and gaining competitive advantages in the market place is always the key attribute for sky high success. Every firm strives for that and few successfully obtained that destiny (Hewitt, 1994). Every business firms are striving hard to find out the best possible ways to ensure the competitive edge over the other operators and rivals. Firms are investing a lot in those areas and certainly trying their best to ensure that they have right combination of business professionals and resources into their armoury. Effective resources ensure effective operations and certainly can provide the firms that desired edge that they are looking for. Effective value chain management is without any doubt a very proficient business weapons to have in the armoury of every business organization. It ensures virtually everything for providing sound and better customer value and also assists to build long term sustainable relationship with the customers (Godsell and Harrison, 2002).

RESEARCH OBJECTIVE:

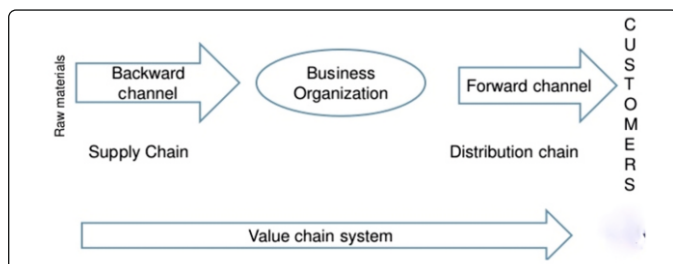
The main research objective of this study is to contribution of market segmentation and customer focus strategies for establishing an effective value chain. The entire research work has been done for the successful answering of the above mentioned research objective.

METHODOLOGY:

In order to achieve the objective of the present research paper a thorough review of the existing literature has been done and data has been collected from different books in the field of marketing, international business, management, business environment, economics and also from different well established journal articles.

THE CONCEPT OF VALUE CHAIN:

Value Chain System is the series of activities and process as well as the supply of raw materials or needed inputs involved in producing a product or delivering a service.



The value chain also has four supporting activities as: purchasing or procurement, research and development, human resources management and corporate infrastructure (Porter, 1985 and Closs et al, 1998). In normal cases a value chain consists of five primary activities in the form of: inbound distribution or logistic, manufacturing operations, outbound distribution, marketing and selling and after-sales services. The value chain in essence interprets the activities of the organization and relates it with competitive strengths and weaknesses in the market settings (Anderson and Mittal, 2000 and Ballou et al., 2000).

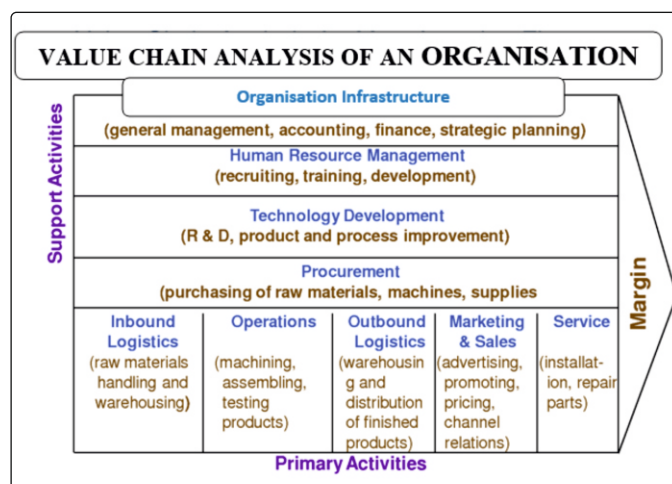
Components of Value Chain:

The components of value chain are primary activities and support activities.

Primary Activities:

The operations in the business organization where most of the value creation efforts are made or done

- (i) **Inbound logistics:** Activities associated with raw materials or inputs procurement activities covering vendor selection, comparative shopping, negotiating supply contracts, and just-in-time arrival of goods.



- (ii) **Operations activities:** Involve the actual conversion of raw materials into a finished product.

- (iii) **Outbound logistics:** Activity sequel to the inbound and processing activities particularly such aspects as storage, distribution and shipping of the finished product.

- (iv) **Marketing and Sales:** Activity deals with prospective clients including the ultimate customers or end-users.

- (v) **Services:** Activity focuses on after-sales services to the customer whether end-user, a processor or secondary producer.

Support Activities:

Support activities that are undertaken to support the value creation activities both at the level of supply and distribution chain or the entire value chain system.

- (i) **Organisation Infrastructure:** The support backbone activities of the business operation

- (ii) **Human Resources:** Unique activity of matching the right people to the job expected.

- (iii) **Technology Development:** Adds value in a way it improves the product and the business processes in the primary activities.

(iv) **Procurement:** Acquiring raw materials for production/operations

IMPORTANCE OF VALUE CHAIN IN BUSINESS SUCCESS:

An efficient and suitable value chain management is always the key for providing best products and services to the market place (Allnoch, 1997 and Walters and Rainbird, 2004). Customer-Oriented Value Chain is the form of a circular model to emphasize the philosophy that the customer and not the business organization itself- is the focus to which all the other activities are directed to. Central to this kind of value chain model is that there exists an information system directly connecting the various functional unit thereby allowing a scheme somehow assuring that customer's needs and wants are addressed by all functional units and in a way, competitiveness is assured.

From the above interpretation it is very obvious that value chain management is of huge importance for penultimate business success and growth. Market Segmentation and different customer focus strategies are found to be the two of the most viable and effective solutions for establishing and maintaining highly performance oriented, robust and successful value chain management (Bolton, 1998 and Bowersox et al., 1999).

MARKET SEGMENTATION FOR EFFECTIVE VALUE CHAIN MANAGEMENT:

Market segmentation is always serves as the basis for customer orientation and differentiation (Haley, 1988). Therefore organizations can adopt effective value chain plan for target markets. Market segmentation enables organization to prioritize among their different market segments and ultimately helps the organization to put more emphasize on their most profitable market segments (Preece, 2002). It makes the organizational task easier because by this process companies can give more preferences on the highly profitable segments by giving the value delivery system more importance in overall the value chain management of the organization (Preece, 2002).

Segmentation is another great way to make the operation and value chain protected from risks (Rajib et al., 2002). Global giants like Adidas, Gillette, Toyota, Phillips, Unilever, Toyota, IBM, Apple, Sony, Disney, Wal-Mart, General Electric, segments their market not only for gaining supremacy and market share but also for diversification and risks spreading. Segmentation enables them to cover losses and inefficient value chain management of one places or category from an efficient one (Kumar et al., 2006). For example, during the most recent economic recession period the sales of Toyota go downward in Europe and in the US but they were able to cover it from Asia (Oswald and Michael, 2009).

CUSTOMER FOCUSED STRATEGIES FOR VALUE CHAIN MANAGEMENT:

While market segmentation process helps organization to segment the total market and specify operation and value chain management, customer-focused strategies provide the solutions to satisfy the customers of those segments up to the fullest extent (Cao and Gmca, 2005 and Center of Quality Management Journal, 1993). Customer focused strategy has been defined as a plan that put all the focus on the needs and expectations of a particular customer segments and organizations which traditionally follow this strategy tend to emphasize customer needs above all the phenomenon including the organization itself (Alba et al., 1997 and Treacy and Wiersema, 1993). Customer focused strategies also helps the organization in practicing efficient value chain management in several ways.



Customer focus strategies reduces the inventory costs and also organization require to take less research and development activities because customers focus strategies ensure free flow of information within customers and the company. It

helps the organization to build core competencies as customers focus strategies gives clear cut idea and organization is open to create and manage effective and appropriate value chain strategies. It helps to practice modern efficient value chain and management activities like TQM (Total Quality Management), BPR (Business Process Reengineering), CRM (Customer Relationship Management) etc.,. It ensures highly effective and appropriate use of the organization value chain resources for most suitable management practices. It also ensures high success rate and low case of market failures of products and services.

CONCLUSION:

Modern business organizations always have to deal with immense uncertainties and stiff competitions (Hakansson and Snehota, 1995). Successful dealing with uncertainties and competition requires up to date and innovative business weapons (Barratt, 2004). Investment in the right places, at the right time and on the right track is always the key to keep every threat behind and stepping towards desired destiny (Jones and Riley, 1985). Organizational financial as well as human capital need to be goal directed and invested in appropriate sectors (Lewis, 2005b).

The success journey of the global leading corporations articulates the huge importance of market segmentation and customer focus strategies for highly successful value chain management (Anderson et al, 2004). Successful management of value chain is definitely the key for long term management and organizational achievement and market segmentation and customer focus strategies are of huge significance for efficient value chain management without any slimmest of doubt (Lewis 2005).

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